



**Request for City Council Committee Action
Community Planning & Economic Development**

Date November 10, 2003

To Barbara Johnson, Chair - Ways & Means Committee

Submitted by Kim W. Havey, Minneapolis Empowerment Zone, 673-5016

Approved by Lee Sheehy, Community Planning and Economic Development

Subject Authorization to allocate \$570,000 of Federal Empowerment Zone Funds to the EZ Small Business Loan Fund

Attachment: Spreadsheet of EZ Loans made to businesses

Presenters in Committee Kim W. Havey, Director, Minneapolis Empowerment Zone

Recommendation

- 1) Authorize the allocation of \$570,000 in Federal Empowerment Zone Funds payable from 0300-840-8460
- 2) Authorize staff to amend the contract with current loan providers increasing their total combined allocation to \$1,570,000

Financial Impact (Check those that apply)

☒ No financial impact or Action is within current budget.

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☐ Other financial impact (Explain):

☐ Request provided to the Budget Office when provided to the Committee

Coordinator

Background/Supporting Information

Previous Directives On March 1, 2002, the Minneapolis City Council approved the Empowerment Zone Loan RFP process as well as the Minneapolis Empowerment Zone Small Business Initiative Loan Fund. On June 3, 2002 the Ways and Means committee and on June 7, 2002 the full city Council approved the selection of five loan fund providers and the allocation of \$1,000,000 in loan funds and Technical Assistance Grants.

The goal of the Empowerment Zone's Small Business Initiative Loan Fund is to make funds and resources available to small businesses within the boundaries of the Empowerment Zone. The intention is to address the following needs: 1) small businesses owned by the minority populations that comprise the Empowerment Zone or business owners who have a difficulty getting loans or investments from traditional lenders for their viable ideas because they lack

credit or assets; and 2) start-up ideas or businesses that want to maintain or expand but don't have the know-how and need Technical Assistance to achieve these goals.

The EZ has created this fund to encourage community lenders (who will be referred to as intermediaries) to lend to EZ target recipients. The intermediaries selected were community development corporations who invest in these higher-risk businesses.

Five intermediaries were chosen to administer the loan funds and provided Technical Assistance (TA) to entrepreneurs.

Empowerment Zone Small Business Loan Lenders			
Organization	Address	Contact Person	Tel
Neighborhood Development Center, Inc.	651 1/2 University Avenue, St Paul, MN	Mr. Mike Temali	651-291-2480
Northside Residents Redevelopment Council	1014 Plymouth Ave North, Mpls, MN	Mr. Wafiq Fannoun	612-335-5924
Whittier Community Development Corporation	2845 Harriet Ave S, Mpls, MN	Mr. John Flory	612-879-0109
Women Venture	2324 University Ave, St. Paul	Jan Jordet	651-251-0672
Minneapolis Consortium of Community Developers	2308 Central Ave NE, Mpls, MN	David Chapman	612-338-8729

Background/Supporting Information -

The Small Business Initiative Loan Fund initially provided \$1 million in funds and resources to EZ small businesses, through five community lenders listed above. The Fund targets small minority owned businesses or businesses and start-up ventures or expanding businesses, that require expertise or Technical Assistance (TA) to achieve market growth. The current funding consists of \$100,000 in TA grants and \$900,000 in loan funds.

The loan fund and technical assistance providers have realized some great success with the Small Business Loan Fund. **To date the Fund has provided 32 loans to small businesses and assisted 90 entrepreneurs through the TA grants.** The only lender that has not made loans is Women Venture, due to program technical delays. However, they currently have four pending loans of \$77,000. Women Venture is also considering an opportunity to collaborate with MCCD to assist other clients that are ready to access funding. The Women Venture contract is through July 2004. They will be evaluated at that time and if satisfactory progress has not been made to utilize the loan funds, staff will recommend to the board to terminate their contract and reallocate the funds to the MCCD and NDC loan fund programs.

MCCD, NDC, and Whittier CDC have been so successful in investing the funds that they have requested additional funding. MCCD would like an additional \$300,000 in capital loan funds and \$50,000 in TA. NDC would like an additional \$150,000 in deferred (Reba Free) loans and \$50,000 in TA. Whittier CDC requests an additional \$20,000 in TA.

Current Community Lenders, Type of Award in 2002, and Uses:

Technical Assistance	
Lender Organization	Award
WhittierCDC	\$ 25,000
NRRC (Northside Resident Redevelopment Council, Inc.)	\$ 25,000
MCCD (Minneapolis Consortium of Community Developers)	\$ 25,000
NDC (Neighborhood Development Center, Inc)	\$ 25,000
Total Awarded	\$100,000

Capital and Deferred Loan		
Lender Organization	Award	
	Capital	Deferred
Women Venture	\$100,000	\$ 50,000
Minneapolis Consortium of Community Developers	\$400,000	
Neighborhood Development Center, Inc.	\$200,000	\$ 150,000
Total Awarded	\$700,000	\$ 200,000

As of September 18th, MCCD has distributed or committed \$365,000 of the \$400,000 in EZ Capital Loans. NDC has drawn down \$214,849 and committed \$344,349 of its total of \$375,000. Whittier has expended \$16,000 of their \$25,000 TA grant to over 20 small businesses in the EZ.

Strategic fit: The Loan Fund fits with several goals of the Empowerment Zone strategic plan.

Fulfilling Economic Development goals, the Fund strives to:

1. Eliminate barriers to economic self-sufficiency, particularly minority and women owned businesses.
2. Increase utilization of vacant commercial and mixed-use property along and near commercial corridors to enhance community livability for EZ residents.
3. Expand business and job development support within the EZ for EZ residents and employees.
4. Promote use of tax credits and additional financial incentives of the EZ to local businesses and employment placement/ training organizations.
5. Enhance access to small business training programs and professionals who can foster the development of cross-cultural learning and the creation of successful operating and business strategies.
6. Support increased access to capital and financing to new and expanding EZ businesses.

The Empowerment Zone Governance Board on September 18, 2003 approved \$570,000 in additional funding to the Small Business Initiative Loan Fund providers. Specifically, an additional \$300,000 in capital loan funds and \$50,000 in TA to MCCD. An additional \$150,000 in deferred (Reba Free) loans and \$50,000 in TA to NDC. An additional \$20,000 in TA to Whittier CDC.

Additional Funding (Approved by EZ Board, 9/18/03)				
Lender Organization	Award			Total
	Capital	Deferred/Reba Free	TA	
MCCD	300,000		50,000	
NDC		150,000	50,000	
Whittier CDC			20,000	
Total	\$300,000	\$ 150,000	\$ 120,000	\$570,000